

General Fund Revenue Overview

This section includes:

- ▶ *Summary of General Fund Revenue
(Page 64)*
- ▶ *Major Revenue Sources (Page 67)*
- ▶ *Real Estate Tax (Page 68)*
- ▶ *Personal Property Tax (Page 75)*
- ▶ *Local Sales Tax (Page 79)*
- ▶ *Business, Professional and
Occupational License Tax
(Page 82)*

General Fund Revenue Overview

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2003 Actual	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan	Change from the FY 2005 Advertised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	\$1,396,533,630	\$1,498,835,203	\$1,664,326,733	\$1,623,843,927	(\$40,482,806)	-2.43%
Personal Property Taxes - Current and Delinquent ¹	466,495,383	471,623,857	469,509,054	468,843,788	(665,266)	-0.14%
Other Local Taxes	373,594,301	390,144,560	382,953,488	402,006,774	19,053,286	4.98%
Permits, Fees and Regulatory Licenses	27,743,163	26,902,515	26,935,856	26,943,956	8,100	0.03%
Fines and Forfeitures	11,046,988	12,778,263	12,380,594	12,380,594	-	0.00%
Revenue from Use of Money/Property	20,742,288	18,233,375	21,105,450	21,105,450	-	0.00%
Charges for Services	40,549,148	41,941,708	40,524,336	42,533,320	2,008,984	4.96%
Revenue from the Commonwealth and Federal Governments ¹	126,674,608	130,523,639	116,945,284	119,225,298	2,280,014	1.95%
Recovered Costs/ Other Revenue	5,424,424	6,052,139	5,969,254	6,226,214	256,960	4.30%
Total Revenue	\$2,468,803,933	\$2,597,035,259	\$2,740,650,049	\$2,723,109,321	(\$17,540,728)	-0.64%
Transfers In	3,925,732	1,396,150	1,666,444	1,666,444	0	0.00%
Total Receipts	\$2,472,729,665	\$2,598,431,409	\$2,742,316,493	\$2,724,775,765	(\$17,540,728)	-0.64%

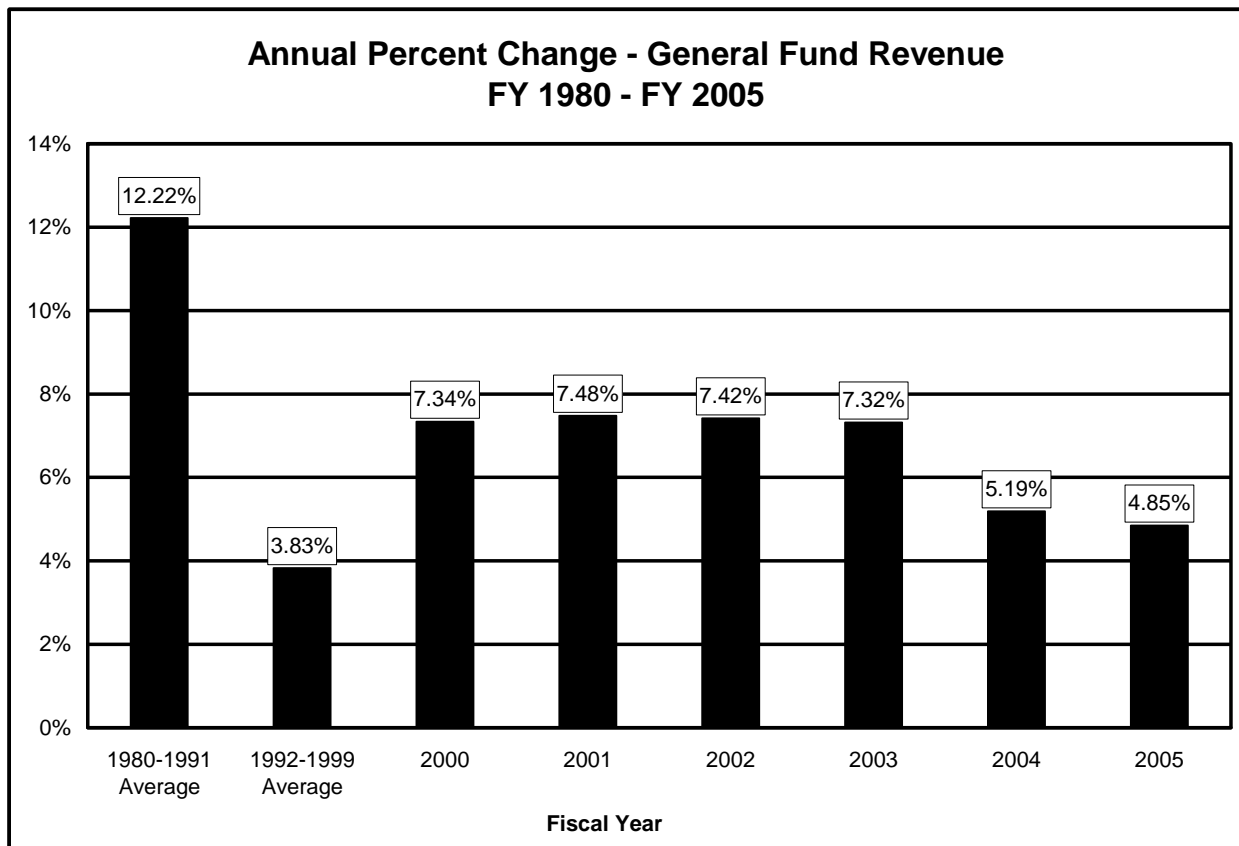
¹ The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

As reflected in the preceding table, FY 2005 General Fund revenues are projected to be \$2,723,109,321, a decrease of \$17,540,728, or 0.6 percent, from the FY 2005 Advertised Budget Plan. This decrease is primarily the result of a \$0.03 reduction in the Real Estate Tax rate from \$1.16 per \$100 of assessed value included in the FY 2005 Advertised Budget Plan to \$1.13 per \$100 of assessed value. The reduction in the Real Estate tax rate is partially offset by an increase in Other Local Taxes primarily due to an increase in expected Sales Tax receipts and the imposition of an additional 2.0 percent Transient Occupancy Tax that will be used for tourism promotion.

General Fund Revenue Overview

Incorporating Transfers In, FY 2005 General Fund receipts are expected to be \$2,724,775,765. The Transfer In to the General Fund reflects \$1.7 million from Cable Communications for use of County rights of way and indirect support provided by General Fund agencies.

The following chart depicts General Fund revenue growth since FY 1980. From FY 1980 to FY 1991, average annual General Fund revenue growth exceeded 12 percent per year. From FY 1992 to FY 1999, however, General Fund revenues grew at a pace of only 3.8 percent annually. Beginning in FY 2000, moderate growth rates ranging from 4.9 percent to 7.5 percent have been experienced.



Economic Indicators

Most measures of the national economy signal that an economic expansion is well underway. Real economic growth, as measured by the Gross Domestic Product (GDP), increased 4.4 percent in the first quarter of 2004, even higher than the 4.1 percent annual growth rate for 2003. Economic growth that occurred during the first quarter of 2004 was attributed to substantial job gains in addition to sustained business investment. Since August 2003, 1.1 million jobs have been added to the national economy. After peaking at 6.4 percent in June 2003, the national unemployment rate fell to 5.6 percent in April 2004.

Economic indicators of the national economy are signaling that the economy will continue to expand during the coming year. The U.S. Leading Index of Economic Indicators has increased 4.4 percent from its most recent low in March 2003 and the Consumer Confidence Index has been positive in six of the last seven months.

General Fund Revenue Overview

Fairfax County's economy has continued to show improvement since year-end 2003. The Fairfax County Coincident Index, which represents the current state of the County's economy, has exceeded last year's same-month values for five consecutive months. A decline in joblessness continued into 2004 and Sales Tax receipts have experienced strong growth. In March 2004, the unemployment rate in Fairfax County was 2.0 percent compared to 2.6 percent in March 2003 and the number of employed residents increased more than 22,300 during this period. County Sales Tax receipts in FY 2004 are up 9.7 percent over FY 2003, which grew only 1.0 percent. Interest earned on investments, however, has continued to be restrained. The Federal Reserve began to lower interest rates from 6.5 percent in January 2001 to just 1.0 percent in June 2002, where they have remained. The nonresidential real estate market improved in 2003. The County's overall office vacancy rate declined from the 12.1 percent in 2002 to 11.2 percent recorded at year-end 2003. Including sublet space, the year-end 2003 office vacancy rate was 15.6 percent, down from 18.8 percent in 2002.

Fairfax County's economy is expected to continue to improve based on recent indicators. Fairfax County's Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, has exceeded same-month levels in each month since May 2003. The residential housing market in Fairfax County is expected to remain strong throughout 2004. The supply of housing remains tight and demand is not expected to wane. In FY 2005, Current and Delinquent Real Estate Tax revenues in Fairfax County comprise 59.6 percent of General Fund Revenue and are the major driver of the overall revenue change. FY 2005 Real Estate property values were established as of January 1, 2004 and reflect market activity through calendar year 2003. The Real Estate Tax base is projected to increase 12.04 percent in FY 2005, and is comprised of a 9.54 percent rise in total equalization (reassessment of existing residential and non-residential properties), and new growth of 2.50 percent.

The FY 2005 General Fund revenue estimates discussed in this section are based on a review of all relevant indicators, including the Fairfax County Economic Index, consultations with the County's economic advisor, Dr. Stephen Fuller, actual FY 2003 collections, and FY 2004 year-to-date trends.

General Fund Revenue Overview

MAJOR REVENUE SOURCES

The following major revenue categories comprise 98.6 percent of total FY 2005 General Fund revenue and are discussed in this section. Unless otherwise indicated, comparative data are presented relative to the FY 2005 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled "Financial, Statistical and Summary Tables."

Category	FY 2003 Actual	FY 2004 Revised Budget Plan ¹	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan	Change from the FY 2005 Advertised Budget Plan	
					Increase/ (Decrease)	Percent Change
Real Estate Tax - Current	\$1,387,669,725	\$1,491,385,606	\$1,657,447,495	\$1,616,964,689	(\$40,482,806)	-2.44%
Personal Property Tax -						
Current	457,188,347	461,331,985	461,308,495	460,643,229	(665,266)	-0.14%
Paid Locally	264,881,703	256,675,869	255,358,057	254,692,791	(665,266)	-0.26%
Reimbursed by Commonwealth	192,306,644	204,656,116	205,950,438	205,950,438	0	0.00%
Local Sales Tax	126,785,250	135,026,291	134,503,993	143,803,000	9,299,007	6.91%
Recordation/Deed of Conveyance Taxes	27,005,707	27,005,707	16,952,228	18,274,531	1,322,303	7.80%
Vehicle Decal Fee	19,052,623	19,463,966	19,853,245	19,853,245	0	0.00%
Consumer Utility Tax	85,892,727	85,892,727	85,892,727	85,892,727	0	0.00%
Mobile Telephone Tax	-	5,500,000	7,200,000	7,200,000	0	0.00%
Transient Occupancy Tax	6,467,769	6,726,480	6,995,530	13,991,060	6,995,530	100.00%
Business, Professional and Occupational License Tax- Current	93,427,421	95,763,107	98,157,185	99,593,631	1,436,446	1.46%
Permits, Fees and Regulatory Licenses	27,743,163	26,902,515	26,935,856	26,943,956	8,100	0.03%
Interest on Investments	17,818,481	15,147,062	18,122,686	18,122,686	0	0.00%
Charges for Services	40,549,148	41,941,708	40,524,336	42,533,320	2,008,984	4.96%
Fines and Forfeitures	11,046,988	12,778,263	12,380,594	12,380,594	0	0.00%
Revenue from the Commonwealth and Federal Governments ¹	126,674,608	130,523,639	116,945,284	119,225,298	2,280,014	1.95%
Total Major Revenue Sources	\$2,427,321,957	\$2,555,389,056	\$2,703,219,654	\$2,685,421,966	(\$17,797,688)	-0.66%

¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.

General Fund Revenue Overview

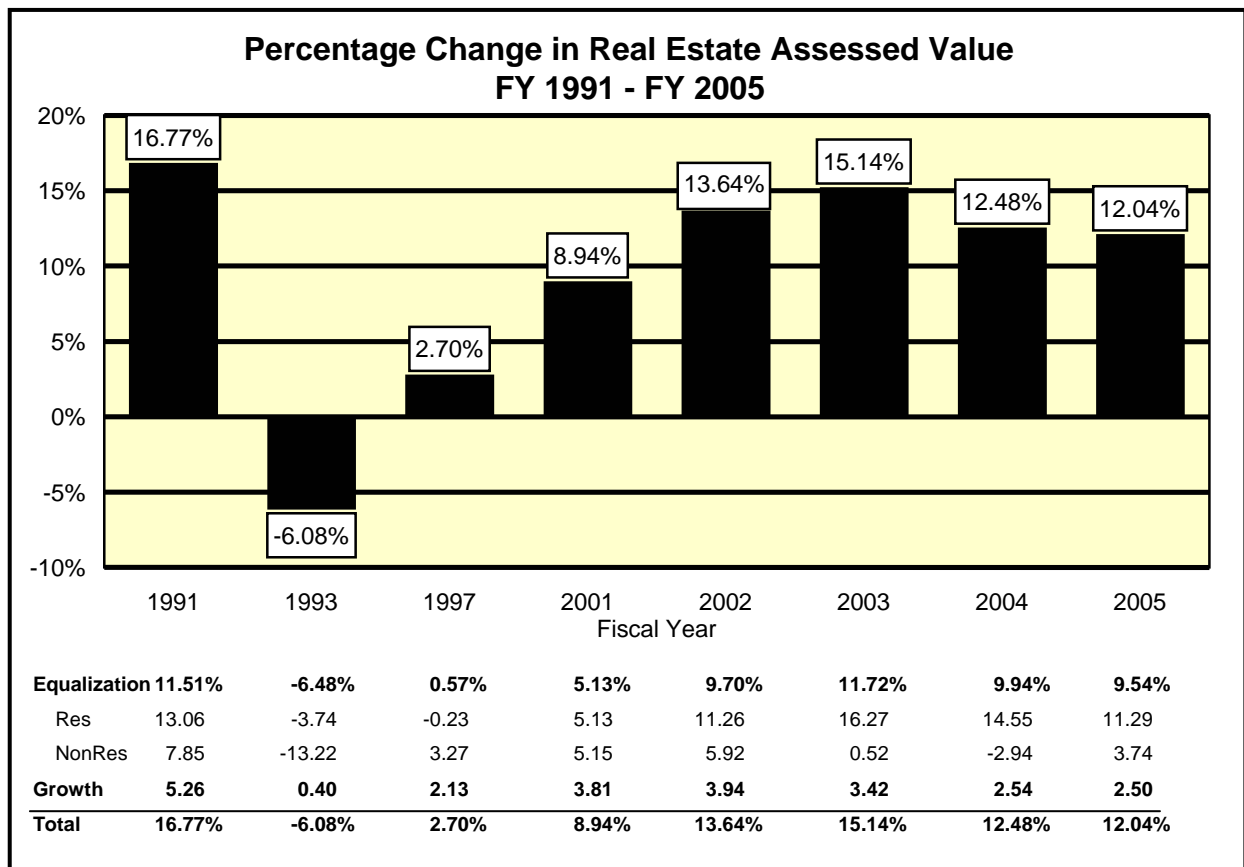
REAL ESTATE TAX-CURRENT

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$1,387,669,725	\$1,491,385,606	\$1,657,447,495	\$1,616,964,689	(\$40,482,806)	-2.44%

The FY 2005 estimate for Current Real Estate Taxes is \$1,616,964,689, which reflects a decrease of 2.4 percent, from the FY 2005 Advertised Budget Plan. This net decrease is primarily the result of the adoption of a \$0.03 reduction in the Real Estate Tax rate. The Real Estate Tax rate is reduced from \$1.16 per \$100 of assessed value in FY 2004 to \$1.13 per \$100 of assessed value in FY 2005. The loss in revenue associated with the adoption of the additional \$0.03 reduction in the Real Estate Tax rate is \$42,865,021. In addition, a loss of \$100,000 is due to the implementation of proration of Real Estate Tax Relief benefits, which is discussed later in this section. These reductions are partially offset by an increase of \$2,482,216 resulting from an increase in the expected collection rate from 99.50 percent to 99.65 percent.

The FY 2005 Real Estate estimate is based on a 12.04 percent increase in the FY 2005 valuation of real property, as compared to the FY 2004 Real Estate Land Book. In addition, the FY 2005 Adopted Budget Plan includes an increase in the maximum level of assets allowed for Real Estate Tax relief eligibility from \$190,000 to \$240,000, as directed by the Board of Supervisors during the *FY 2003 Carryover Review*. This change in the Tax Relief Program is anticipated to reduce revenue by approximately \$3.9 million in FY 2005.

The FY 2005 estimate is comprised of an increase in equalization of 9.54 percent and an increase of 2.50 percent in new growth. The FY 2005 figures reflected herein are based on the final assessments for Tax Year 2004 (FY 2005), which was established as of January 1, 2004. Throughout FY 2005, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the projected collection rate of 99.65 percent. The following chart shows changes in the County's assessed value base in FY 1991, FY 1993, FY 1997, and from FY 2001 to FY 2005.



General Fund Revenue Overview

The FY 2005 **Main Assessment Book Value** is \$144,804,746,670 and represents an increase of \$15,557,595,860, or 12.04 percent, over the FY 2004 main assessment book value of \$129,247,150,810. The FY 2005 increase is lower than that of the last three years when assessments rose 13.64 percent, 15.14 percent and 12.48 percent in FY 2002, FY 2003 and FY 2004, respectively. After increasing 16.8 percent in FY 1991, the assessment base declined an average of 2.8 percent from FY 1992 to FY 1994. After the recession, the value of real property increased at modest annual rates, averaging 2.5 percent from FY 1995 through FY 1999. It was not until FY 1999 that the assessment base exceeded its FY 1991 level. Since FY 1991, the assessment base has grown at an average annual rate of 5.0 percent and is now \$144.8 billion.

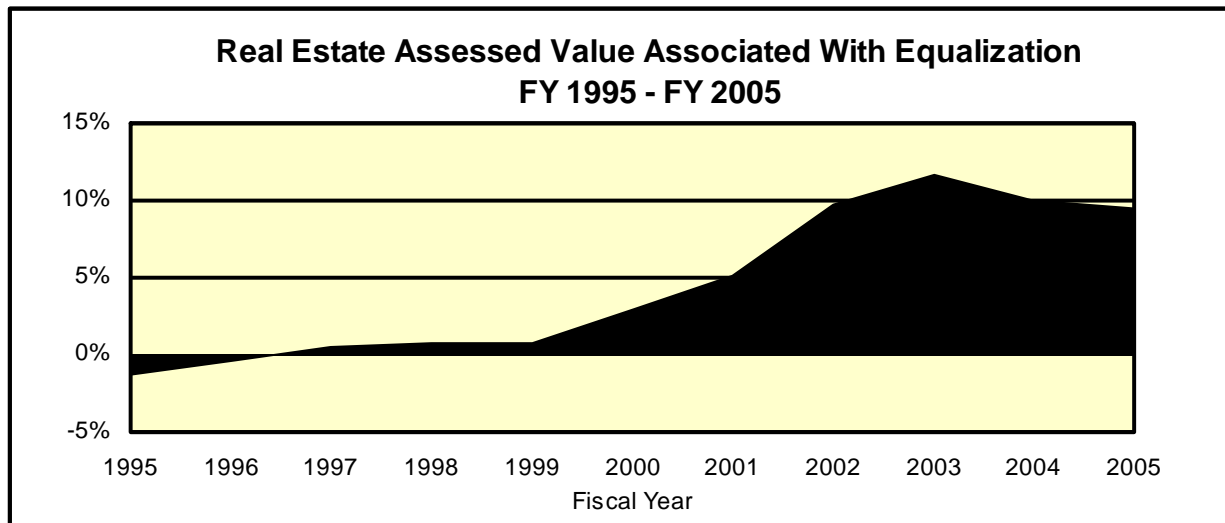
The overall increase in the assessment base includes **equalization**, the reassessment of existing properties, and **normal growth**, which is associated with construction of new properties in Fairfax County. The FY 2005 assessment base reflects an increase of 11.29 percent in the values of existing residential properties and a rebound in nonresidential properties of 3.74 percent after falling 2.94 percent in FY 2004. Both nonresidential and residential properties experienced moderate growth due to new construction at 2.54 percent and 2.49 percent, respectively. As a result of these changes, the residential portion of the total assessment base rose from 76.7 percent in FY 2004 to 77.9 percent in FY 2005. The table below reflects changes in the Real Estate Tax assessment base from FY 1999 through FY 2005.

Main Real Estate Assessment Book Base Changes
(in millions)

Assessed Base Change Due To:	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Equalization	\$1,289.6	\$2,241.4	\$4,139.5	\$8,522.9	\$11,699.8	\$11,428.5	\$12,322.2
% Change	1.77%	2.96%	5.13%	9.70%	11.72%	9.94%	9.54%
Residential	0.04%	0.77%	5.13%	11.26%	16.27%	14.55%	11.29%
Nonresidential	7.12%	9.24%	5.15%	5.92%	0.52%	-2.94%	3.74%
Normal Growth	\$1,598.0	\$2,556.9	\$3,067.6	\$3,456.3	\$3,409.4	\$2,916.1	\$3,235.4
% Change	2.19%	3.37%	3.81%	3.94%	3.42%	2.54%	2.50%
Total							
% Change	3.96%	6.33%	8.94%	13.64%	15.14%	12.48%	12.04%

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of \$12,322,219,435, or 9.54 percent in FY 2005. The increase in total equalization is due to increases in both residential and nonresidential property values. FY 2005 marks the fourth year of double digit growth in residential properties, which is a result of continued strong demand for homes in the County without a commensurate increase in the supply of existing homes. This trend mirrors that which is occurring on a regional and national basis. Changes in the assessment base as a result of equalization are shown in the following graph. The increase in the tax levy associated with the overall 9.54 percent increase in equalization is \$139,241,080 based on a tax rate of \$1.13 per \$100 of assessed value.

General Fund Revenue Overview



Residential equalization declined notably from FY 1992 through FY 1994 due to the recession and then remained essentially flat from FY 1995 through FY 2000. Following a moderate increase in FY 2001, residential equalization rose 11.26 percent and 16.27 percent in FY 2002 and FY 2003, respectively. Following a robust 14.55 percent increase in FY 2004, overall residential equalization increased 11.29 percent in FY 2005. This increase reflects the strength of the housing market in the County and throughout the Northern Virginia area. As a result of the sustained increases in both sales volume and sales price, the majority of residential properties in the County will receive valuation increases. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional assessing standards of 90 percent to 110 percent.

All types of residential property experienced increases in value in FY 2005. While townhouse and condominium property values experienced significant increases due to equalization, changes in the assessed value of single family homes have had the most impact on the total residential base because they represent nearly 74 percent of the total. Changes in residential equalization by housing type since FY 2000 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased by different percentages based on neighborhood selling prices.

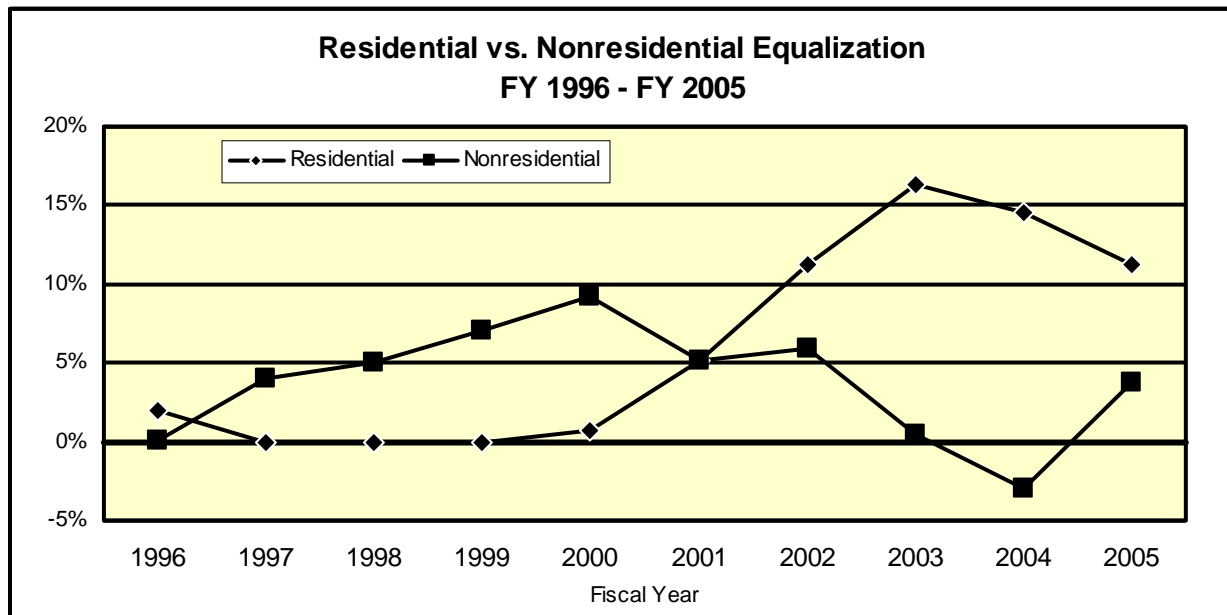
Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Single Family (73.8%)	1.26%	6.43%	12.08%	16.14%	14.15%	11.20%
Townhouse/Duplex (18.9%)	-0.16%	2.22%	10.98%	18.56%	17.00%	12.99%
Condominiums (6.4%)	-1.96%	1.17%	10.30%	21.19%	20.09%	16.24%
Vacant Land (0.7%)	1.24%	9.84%	7.90%	15.23%	23.23%	15.19%
Other (0.2%) ¹	0.49%	1.38%	5.73%	3.00%	2.58%	4.89%
Total Residential Equalization (100%)	0.77%	5.13%	11.26%	16.27%	14.55%	11.29%

¹ Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.

Based on the increase in residential equalization, the mean assessed value of all residential property in the County is \$357,506. This is an increase of \$36,268 over the FY 2004 value of \$321,238. Compared to FY 2004, the typical residential annual tax bill will be \$4,039.82, an increase of \$313.46 in FY 2005, on average, based on the reduced tax rate of \$1.13 per \$100 of assessed value in FY 2005.

General Fund Revenue Overview



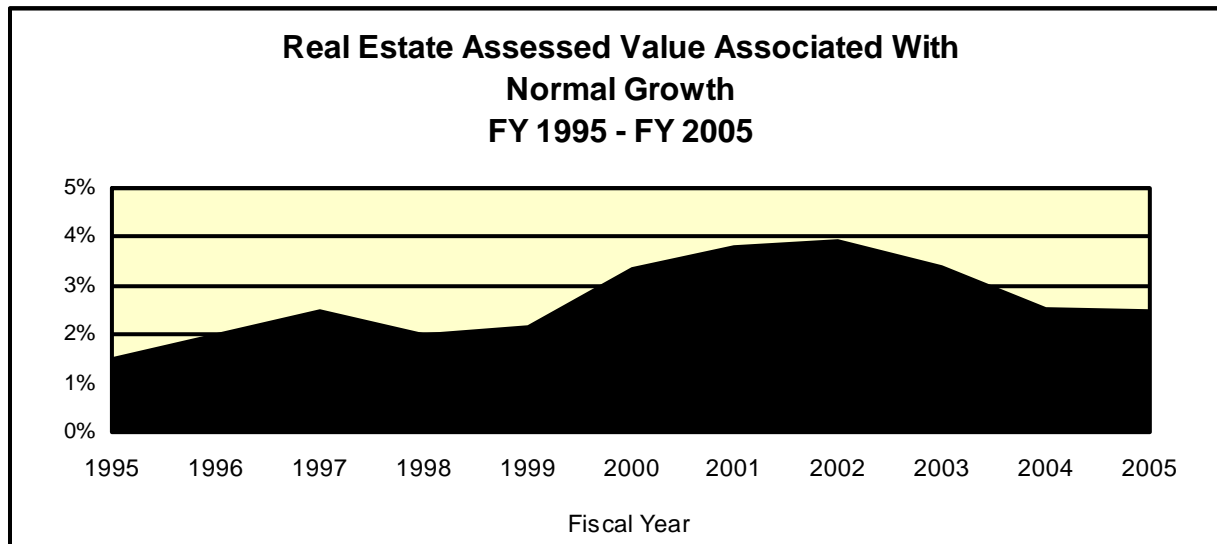
Nonresidential equalization experienced a rise of 3.74 percent in FY 2005 after declining 2.94 percent in FY 2004. As a result of moderating office vacancy rates and recent sales activity, the values of Elevator Offices (mid- and high-rises), which comprise 36.2 percent of the nonresidential tax base, rose 3.27 percent. This increase follows reductions of 2.48 percent and 10.73 percent in FY 2003 and FY 2004, respectively. The reductions in these years reflected the slow local economy. Office space that many companies had leased or purchased in anticipation of expansion was not needed and the amount of office space available for sublease increased. This trend has started to turn. The Economic Development Authority recently reported that the office vacancy rate was 11.2 percent as of year-end 2003, down from 12.1 percent in 2002. Including sublet space, the office vacancy rate fell from 18.8 percent in 2002 to 15.6 percent as of year-end 2003. Vacancy rates vary widely between submarkets and between buildings. Based on year-end 2003 activity, the Reston submarket vacancy rate improved approximately 7.0 percent, while the Tyson's submarket's improvement was about 3.0 percent. The value of Low Rise Office property increased at a faster pace than Office Elevator property, advancing 5.42 percent in FY 2005. After dropping in FY 2003 and FY 2004, the value in hotel property rose in FY 2005 at a rate of 4.48 percent. Retail property increased in value in FY 2005. Regional malls experienced an increase of 3.00 percent while other retail properties increased 7.91 percent in FY 2005. Nonresidential equalization changes by category since FY 2000 are presented in the following table.

Nonresidential Equalization Changes

Category (Percent of Base)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Apartments (19.5%)	3.43%	3.54%	6.53%	9.59%	3.86%	1.86%
Office Condominiums (3.0%)	0.48%	2.08%	4.95%	7.75%	15.63%	13.59%
Industrial (8.4%)	10.55%	7.46%	7.25%	2.08%	-1.29%	5.26%
Retail (12.6%)	4.49%	2.73%	2.84%	1.91%	2.91%	7.91%
Regional Malls (2.8%)	3.08%	0.87%	2.20%	0.34%	6.95%	3.00%
Office Elevator (36.2%)	16.20%	6.74%	6.54%	-2.48%	-10.73%	3.27%
Office - Low Rise (4.4%)	10.95%	6.05%	7.30%	1.46%	-6.27%	5.42%
Vacant Land (3.2%)	19.86%	5.96%	6.36%	-0.08%	-6.55%	7.15%
Hotels (4.2%)	24.40%	7.16%	6.58%	-15.39%	-6.23%	4.48%
Other (5.7%)	4.88%	2.62%	6.35%	3.02%	6.00%	5.15%
Nonresidential Equalization (100%)	9.24%	5.15%	5.92%	0.52%	-2.94%	3.74%

General Fund Revenue Overview

Normal Growth of \$3,235,376,425, or 2.50 percent, over the FY 2004 assessment book value results from new construction, new subdivisions, and rezonings. This level of growth is on par with the 2.54 percent experienced in FY 2004 but somewhat lower than the 3.94 percent and 3.42 percent increases realized in FY 2002 and FY 2003 (see following graph). During the construction boom of the 1980s, average growth of 6.9 percent was experienced. Since FY 1995, the value of property added to the tax base due to new construction has ranged from 1.93 percent to 3.94 percent. In FY 2005, the residential and nonresidential property bases experienced similar rates of increase due to new construction, advancing 2.49 percent and 2.54 percent, respectively. The total rate of growth due to new construction is consistent with activity in the housing and commercial building industry throughout the Washington metropolitan area.



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2005 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base are prorated assessments under the Norfolk Plan of \$471.5 million and additional supplemental assessments of \$64.3 million. The Norfolk Plan assessments are supplemental assessments, which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. Supplemental assessments may also result due to changes in ownership or tax exempt status. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by \$941.5 million in FY 2005, an additional \$350.4 million over FY 2004. This increase is due to rising property values and an increase in tax abatements associated with the County's revitalization effort. Each \$100.0 million change in the level of exonerations, certificates and tax abatements is equivalent to a change of \$1.2 million in tax levy.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2005 by \$1,746.1 million. During FY 2001 and FY 2002, the income limits associated with the Real Estate Tax Relief Program for the Elderly and Disabled were expanded as approved by the Board of Supervisors. The income limits of the Tax Relief program have remained the same since FY 2002. These limits provide 100 percent exemption for elderly and disabled taxpayers with incomes up to \$40,000; 50 percent exemption for eligible applicants with income between \$40,001 and \$46,000; and 25 percent exemption if income is between \$46,001 and \$52,000. As part of the FY 2003 Carryover Review, the Board of Supervisors approved an increase in the allowable asset limit from \$160,000 to \$190,000 for all ranges of tax relief and directed staff to develop a FY 2005 Budget that included additional tax relief. The [FY 2005 Adopted Budget Plan](#) includes an increase in the allowable asset limit to \$240,000. In addition, as part of the FY 2005 budget, the Board of Supervisors approved the proration of elderly and disabled tax relief benefits based on the portion of the year an applicant is 65 or becomes disabled.

General Fund Revenue Overview

Previously, an applicant turning 65 or becoming disabled was not eligible for tax relief until the following year. It is estimated that the impact on FY 2005 General Fund revenue associated with this change is \$0.1 million. The table below presents income and asset thresholds for the Tax Relief Program for the Elderly and Disabled since FY 2000.

Real Estate Tax Relief for the Elderly and Disabled			
	Income Limit	Asset Limit	Percent Relief
FY 2000	Up to \$30,000	\$150,000	100%
	Over \$30,000 to \$35,000		50%
	Over \$35,000 to \$40,000		25%
FY 2001	Up to \$35,000	\$150,000	100%
	Over \$35,000 to \$40,000		50%
	Over \$40,000 to \$46,000		25%
FY 2002	Up to \$40,000	\$150,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2003	Up to \$40,000	\$160,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2004	Up to \$40,000	\$190,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%
FY 2005	Up to \$40,000	\$240,000	100%
	Over \$40,000 to \$46,000		50%
	Over \$46,000 to \$52,000		25%

The FY 2005 local assessment base of \$142,652,902,197 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of \$1,611,977,795 is calculated using a tax rate of \$1.13 per \$100 of assessed value. Based on an expected local collection rate of 99.65 percent, revenue from local assessments is estimated to be \$1,606,335,872. In FY 2005, every 0.1 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of \$1.6 million, while every penny on the tax rate yields \$14.5 million in revenue.

Added to the local assessment base is an estimated \$940,603,299 in assessed value for Public Service Corporations (PSC) property. Using a rate of \$1.13 per \$100 of assessed value, the tax levy on PSC property is \$10,628,817. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is \$143,593,505,496 with a total tax levy of \$1,622,606,612 at the \$1.13 per \$100 assessed value tax rate. Estimated FY 2005 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals \$1,616,964,689 at the \$1.13 per \$100 assessed value tax rate, and reflects an overall collection rate of 99.65 percent. The total collection rates experienced in this category since FY 1990 are shown in the following table:

General Fund Revenue Overview

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1990	99.49%	1998	99.54%
1991	98.96%	1999	99.50%
1992	98.87%	2000	99.63%
1993	99.03%	2001	99.53%
1994	99.15%	2002	99.65%
1995	99.32%	2003	99.67%
1996	99.47%	2004 (estimated)	99.65%
1997	99.56%	2005 (estimated)¹	99.65%

¹ In FY 2005, every 0.1 percentage point change in the collection rate yields a revenue change of \$1,611,978.

The Commercial/Industrial percentage of the County's Real Estate Tax base is 18.2 percent, a drop of 0.94 percentage points from the FY 2004 level of 19.14 percent. FY 2005 marks the fourth consecutive decline in the Commercial/Industrial percentage and is due to the larger increase experienced in the residential portion of the Real Estate Tax base. Prior to FY 2005, the lowest Commercial/Industrial percentage was 19.04 which occurred in FY 1996. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which comprises 3.9 percent of the County's Real Estate Tax base in FY 2005. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1990	26.76%	1998	20.47%
1991	26.25%	1999	21.84%
1992	25.66%	2000	24.32%
1993	22.82%	2001	25.37%
1994	20.94%	2002	24.84%
1995	19.59%	2003	21.97%
1996	19.04%	2004	19.14%
1997	19.56%	2005	18.20%

General Fund Revenue Overview

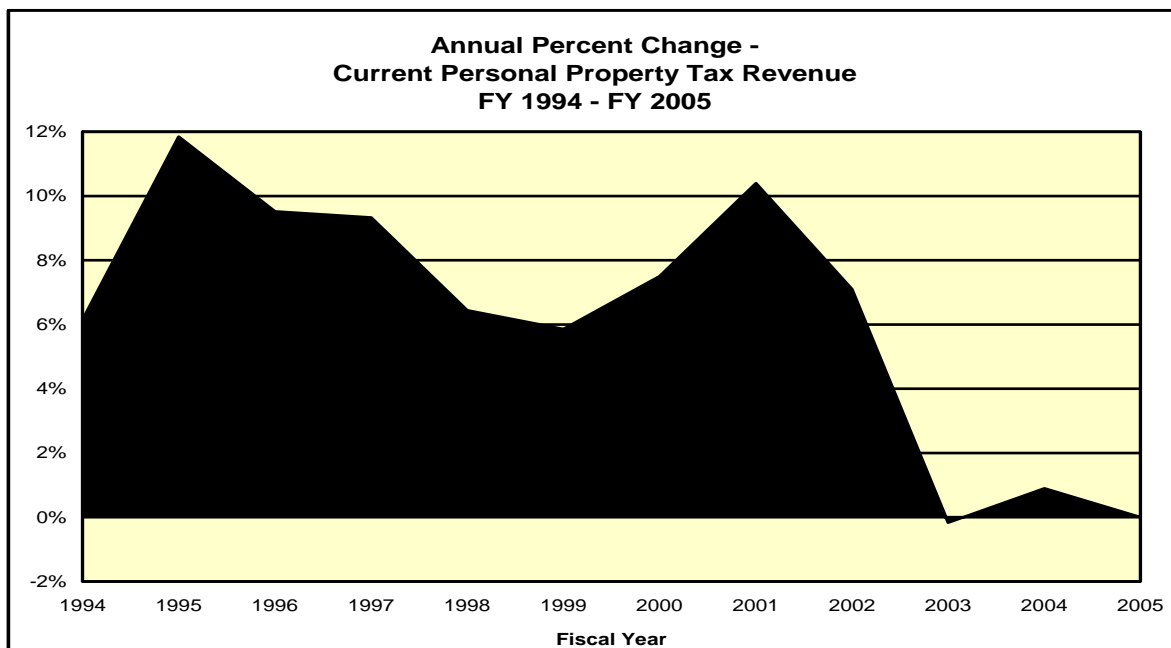
PERSONAL PROPERTY TAX-CURRENT

	FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	\$264,881,703	\$256,675,869	\$255,358,057	\$254,692,791	(\$665,266)	-0.26%
Reimbursed by State	192,306,644	204,656,116	205,950,438	205,950,438	\$0	0.00%
Total	\$457,188,347	\$461,331,985	\$461,308,495	\$460,643,229	(\$665,266)	-0.14%

The FY 2005 estimate for Personal Property Tax revenue of \$460,643,229 represents a decrease of \$665,266, or 0.1 percent, from the FY 2005 Advertised Budget Plan. This decrease is a result of the adoption of a \$0.03 reduction in the Real Estate Tax rate. The Real Estate Tax rate impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property.

The Personal Property Tax estimate is comprised of two parts, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA phases out the Personal Property Tax on the first \$20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first \$20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than \$1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the State's lower than anticipated General Fund revenue growth, the reimbursement rate remained at 70 percent in FY 2003 and FY 2004. The 2004 General Assembly approved legislation that will cap Personal Property Tax reimbursement in FY 2007 at the FY 2005 level. In subsequent years, the level of Personal Property Taxes may fall unless the tax rate is increased. In FY 2005, the PPTRA has no impact on the assessment or projection of Personal Property Tax revenues; therefore, for purposes of this narrative, aspects of the total Personal Property Tax will be discussed.

The Personal Property Tax consists of two major components: vehicles and business personal property. The vehicle component, which represents nearly 73 percent of the total category in FY 2005, is the major driver of the overall category. Both the vehicle and business components, however, are sensitive to changes in the national and local economies. Annual changes in total Personal Property Tax revenues are shown in the following graph.



General Fund Revenue Overview

Total Personal Property Tax revenues experienced average annual growth of 10.2 percent from FY 1994 through FY 1997. More moderate gains of 6.4, 5.9, and 7.5 percent in total Personal Property Tax revenue were experienced in FY 1998 through FY 2000, respectively. Strong job growth and business expansion pushed total Personal Property Tax growth to 10.4 percent in FY 2001 and 7.1 percent in FY 2002. In FY 2003, Personal Property Taxes declined 0.2 percent. The FY 2003 reduction was due to declining business levy as a result of the stalled recovery. The reduction in business levy was partially offset by a slight increase in vehicle levy. Personal Property Tax revenue in FY 2004 is projected to grow 0.9 percent. This rate of growth is the result of a moderate increase in vehicles levy offset with a decline in business levy due to the sluggish local economy and a reduction in the computer depreciation schedule for equipment that was purchased 1 year prior.

The FY 2005 estimate incorporates a decrease of 1.5 percent in the average vehicle levy from \$387 to \$381. This reduction is due primarily to declining values of used vehicles. Because new vehicle sales were incredibly strong during the last several years, the supply of used vehicles has grown thereby putting downward pressure on prices. According to national statistics, used vehicle prices in December 2003 were 11.8 percent below the previous year and are at their lowest level since April 1993. The FY 2005 volume of vehicles is projected to increase a slight 0.5 percent. According to the National Automobile Dealers' Association (NADA), new model vehicle sales have slowed. The demand for new vehicles has declined due to rolled back incentives by automakers. During the coming year, cash that had been made available from mortgage refinancing will diminish which will also restrain the demand for vehicles. Incorporating changes in average levy and volume, the overall vehicle component of the Personal Property Tax base is expected to fall 1.1 percent in FY 2005. Changes in vehicle volume and levy since FY 1998 are shown in the following table.

Personal Property Vehicles

Fiscal Year	Growth in Vehicle Volume	Average Vehicle Levy	Growth in Average Levy
FY 1998	2.6%	\$315	1.6%
FY 1999	3.2%	\$320	1.7%
FY 2000	4.2%	\$336	4.9%
FY 2001	4.5%	\$359	6.9%
FY 2002	2.3%	\$369	2.8%
FY 2003	3.0%	\$372	0.8%
FY 2004 (est.)	-1.0%	\$387	4.1%
FY 2005 (est.)	0.5%	\$381	-1.5%

Business Personal Property is primarily comprised of assessments on furniture, fixtures and computer equipment. During the slowdown in the economy in 2002, business expansion dropped and a number of businesses closed or filed for bankruptcy. As a result, the net number of companies was flat in FY 2003 and is expected to fall 0.7 percent in FY 2004. Based on actual filings, business levy in FY 2004 is expected to be down approximately \$12.7 million from FY 2003 due to lower than projected business purchases of furniture and computer equipment made during calendar year 2002. In addition, changes in the computer depreciation schedule in FY 2004 are anticipated to reduce business levy by \$1.4 million.

As the economy improves, businesses are expected to expand and the purchases of business equipment are projected to rise. The number of businesses is projected to increase 0.5 percent and average levy is expected to rise 2.5 percent reflecting growth in employment and increased business investment.

General Fund Revenue Overview

In accordance with assessment principles and the Code of Virginia, which require that property is taxed at fair market value, the Department of Tax Administration (DTA) annually reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. To reflect market trends, the computer depreciation schedule was adjusted in each year from FY 1999 to FY 2001, in FY 2003, and in FY 2004. Based on current trends, the computer depreciation schedule for equipment purchased one year prior will not be adjusted in FY 2005. Previous and current computer depreciation schedules are shown in the following table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value. Fairfax County's FY 2005 computer depreciation schedule reduces the value upon which the tax is levied more rapidly than any other Northern Virginia locality.

Computer Depreciation Schedules FY 1998 - FY 2005 Percent of Original Purchase Price Taxed

Year of Acquisition	FY 2001 and			FY 2004 and		
	FY 1998	FY 1999	FY 2000	FY 2002	FY 2003	FY 2005
1	80%	65%	60%	60%	55%	50%
2	55%	45%	40%	40%	35%	35%
3	35%	30%	30%	25%	20%	20%
4	10%	10%	10%	10%	10%	10%
5 or more	10%	2%	2%	2%	2%	2%

Personal Property Tax revenue estimates are based on a tax rate of \$4.57 per \$100 of valuation for vehicles and business property, and \$1.13 per \$100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

General Fund Revenue Overview

FY 2005 Estimated Personal Property Assessments and Tax Levy

Category	FY 2005 Assessed Value	Tax Rate (per \$100)	FY 2005 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	\$8,478,962,346	\$4.57	\$308,946,836	65.4%
Business Owned	388,698,391	4.57	14,413,868	3.0%
Leased	638,992,718	4.57	20,884,351	4.4%
Subtotal	\$9,506,653,455		\$344,245,055	72.8%
Business Personal Property				
Furniture and Fixtures	\$1,431,229,498	\$4.57	\$65,349,737	13.8%
Computer Equipment	633,737,638	4.57	28,925,151	6.1%
Machinery and Tools	95,271,664	4.57	4,353,915	0.9%
Research and Development	6,706,411	4.57	306,483	0.1%
Subtotal	\$2,166,945,211		\$98,935,286	20.9%
Public Service Corporations				
Equalized	\$2,199,984,655	\$1.13	\$24,859,827	5.3%
Vehicles	12,891,672	4.57	589,149	0.1%
Subtotal	\$2,212,876,327		\$25,448,976	5.4%
Other				
Mobile Homes	\$18,279,344	\$1.13	\$204,038	0.0%
Other (Trailers, Misc.)	8,565,139	4.57	323,695	0.1%
Subtotal	\$26,844,483		\$527,733	0.1%
Penalty for Late Filing			\$3,562,484	0.8%
TOTAL	\$13,913,319,476		\$472,719,534	100.0%

A collection rate of 97.30 percent is applied to the total local tax levy for FY 2005, a rate that is consistent with the rate projected for FY 2004. Applying the projected collection rate to the local levy estimate for FY 2004, results in projected tax revenue of \$435,194,253. In addition, it is projected that a 100.0 percent collection rate will be achieved on the Public Service Corporations tax levy of \$25,448,976. The resulting collection rate for all categories of personal property is estimated to be 97.46 percent and is shown in the following table with historical collection rates.

Total Personal Property Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1990	96.2%	1998	97.3%
1991	95.5%	1999	97.3%
1992	94.4%	2000	97.3%
1993	96.0%	2001	97.1%
1994	95.6%	2002	96.3%
1995	96.8%	2003	98.8%
1996	97.2%	2004 (estimated)	97.5%
1997	97.3%	2005 (estimated) ¹	97.5%

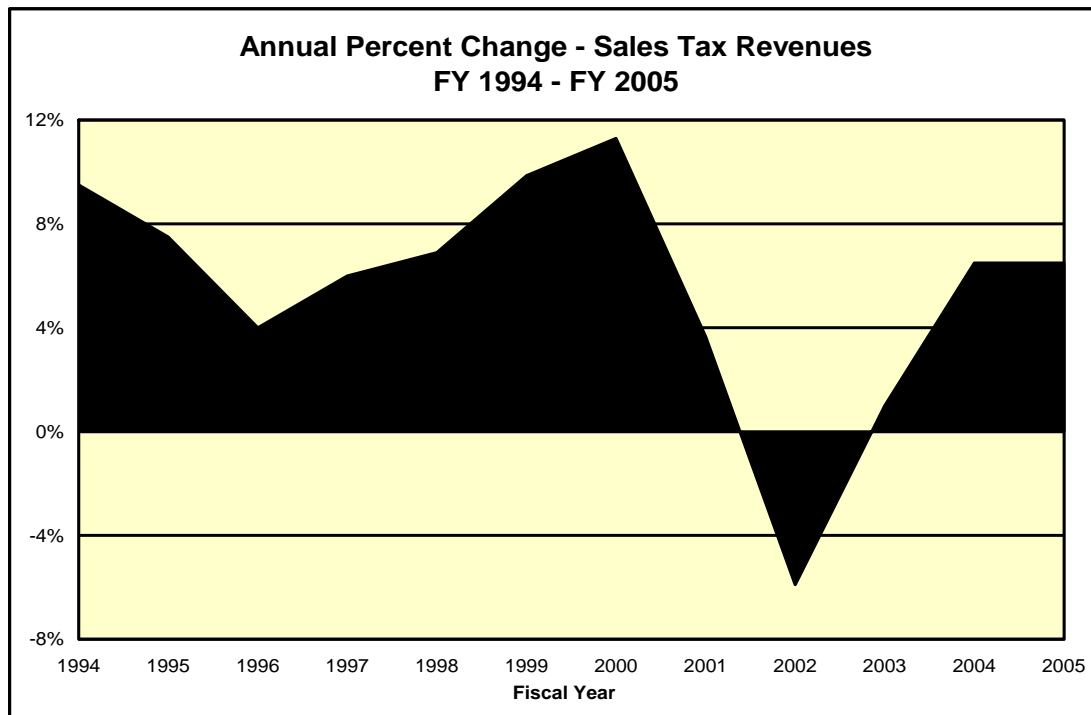
¹ Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately \$0.5 million, and each penny on the tax rate yields a revenue change of \$1.0 million.

General Fund Revenue Overview

LOCAL SALES TAX

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$126,785,250	\$135,026,291	\$134,503,993	\$143,803,000	\$9,299,007	6.91%

The FY 2005 estimate for Sales Tax receipts of \$143,803,000 represents an increase of \$9.3 million, or 6.9 percent over the FY 2005 Advertised Budget Plan. FY 2005 Sales Tax receipts are expected to rise 6.5 percent over the FY 2004 estimate. This increase reflects the expectation that the local economy will experience moderate growth in FY 2005.



In FY 2002, Sales Tax receipts dropped 5.9 percent from the level achieved in FY 2001. This decrease was only the second time in 30 years that Sales Tax receipts had fallen from their previous year's level (in FY 1991, Sales Tax revenues dropped 4.5 percent from FY 1990.) In FY 2003, Sales Tax receipts rose just 1.0 percent above the level achieved in FY 2002. During the first seven months of FY 2004, Sales Tax receipts experienced uneven monthly growth over the prior year. The Sales Tax estimate was revised upward during the 2003 fall revenue review and again at the *FY 2004 Third Quarter Review*. The FY 2004 estimate represents growth of 6.5 percent over FY 2003 receipts. Sales tax receipts, however, from March through June 2004 have experienced monthly growth ranging from 5.2 percent to 20.0 percent producing fiscal year-to-date growth of 9.7 percent. If Sales Tax receipts continue to rise at a 9.7 percent rate for the last month of the fiscal year, an increase of \$4.1 million over the *FY 2004 Revised Budget Plan* could occur. Growth in Sales Tax receipts is expected to continue into FY 2005 as the Fairfax County Leading Index has begun to trend consistently upward. Based on current information, Sales Tax receipts are expected to rise 6.5 percent in FY 2005.

General Fund Revenue Overview

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$27,005,707	\$27,005,707	\$16,952,228	\$18,274,531	\$1,322,303	7.80%

The FY 2005 estimate of \$18,274,531 represents an increase of \$1.3 million over the FY 2005 Advertised Budget Plan and reflects a projected expanding local economy. The FY 2005 estimate is comprised of \$12,461,788 in Recordation Tax revenues and \$5,812,743 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Tax revenues. Interest rate projections are used in an econometric model that assists in developing estimates for these categories.

Receipts in these categories have grown due to continued strong demand relative to housing supply in the County as well as rising median sales prices. Increased mortgage refinancing due to low mortgage rates have also boosted Recordation collections. As a result of higher than expected collections, the FY 2004 estimate for Recordation and Deed of Conveyance was increased \$10.7 million during the fall 2003 review of revenues to a level consistent with FY 2003 actual revenues. While these categories experienced strong growth in the first four months of FY 2004, Recordation Tax revenue fell for the first time since September 2000 in November 2003 and continued to decline in December through February 2004 compared to the same month of FY 2003. Due to this uneven monthly growth, these categories were not adjusted during the *FY 2004 Third Quarter Review*. Since then, Recordation Tax revenue has experienced modest growth of 1.4 percent while Deed of Conveyance Tax receipts have grown over 39 percent, resulting in an expected surplus at the end of FY 2004. In FY 2005, Recordation and Deed of Conveyance receipts are expected to fall from their FY 2004 level because interest rates are projected to increase as the economy expands and mortgage refinancing is anticipated to slow.

VEHICLE DECAL FEE

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$19,052,623	\$19,463,966	\$19,853,245	\$19,853,245	\$0	0.00%

The FY 2005 estimate of \$19,853,245 for Vehicle Decal revenue represents no change from the FY 2005 Advertised Budget Plan and represents an increase of \$389,279, or 2.0 percent, over the *FY 2004 Revised Budget Plan*. This growth rate is consistent with historical trends.

In FY 2004, an Advance Decal Sales program was implemented to generate cost savings of approximately \$0.5 million. Under the new program, County taxpayers with no previous tax delinquencies received their vehicle decal along with their Personal Property Tax bill. Previously, County taxpayers could purchase a Vehicle Decal only after the Personal Property tax bill had been paid. Vehicle Decal Tax rates remain unchanged in FY 2004 and FY 2005 at \$25 for passenger vehicles; \$18 for motorcycles; and \$23 for certain passenger vehicles used for compensation, e.g., taxis. The renewal date for vehicle decals is October 5, linking vehicle decals with the payment due date for Personal Property Taxes.

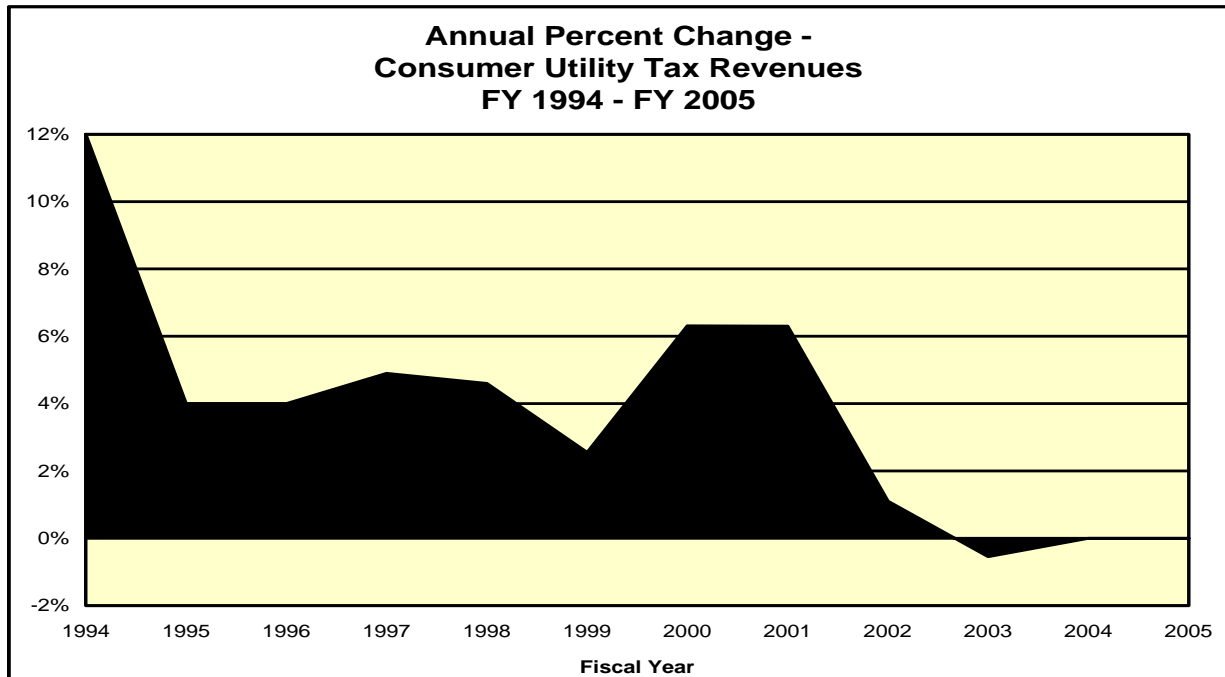
General Fund Revenue Overview

CONSUMER UTILITY TAX

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$85,892,727	\$85,892,727	\$85,892,727	\$85,892,727	\$0	0.00%

The FY 2005 estimate for Consumer Utility Taxes of \$85,892,727 reflects no change from the FY 2005 Advertised Budget Plan as well as no change from the *FY 2004 Revised Budget Plan*. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity, gas, and telephone services. The FY 2005 estimate is comprised of \$33,788,274 in taxes on electric service, \$42,950,323 in taxes on telephone service, and \$9,154,130 in taxes on gas service.

Predicting Utility Tax revenues is difficult due to the variability of commercial usage and weather. Consumer Utility Tax revenues are monitored on a monthly basis. An annual econometric model, which examines the trend over time in Consumer Utility Tax revenues, and several monthly statistical models, which take into account seasonal fluctuations and historical trends in Consumer Utility Tax revenues, are used to track and forecast these revenues. Historically, taxes on telephone service have grown at a faster rate than other consumer utilities; however, job cutbacks, increased use of cell phones, and cable Internet access have all diminished the telephone utility tax base. In FY 2003, receipts from telephone utility taxes fell for the first time, dropping 4.7 percent from FY 2002. This trend in telephone usage is expected to continue and when combined with modest growth in taxes from gas and electric utilities, total Consumer Utility Taxes are expected to remain at their FY 2003 level through FY 2004 and FY 2005.



General Fund Revenue Overview

MOBILE TELECOMMUNICATIONS TAX

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$0	\$5,500,000	\$7,200,000	\$7,200,000	\$0	0.00%

The FY 2005 estimate for Mobile Telecommunication Tax receipts is \$7,200,000 and reflects no change from the FY 2005 Advertised Budget Plan and represents an increase of \$1,700,000 or 31.0 percent over the FY 2004 Revised Budget Plan, based on levying the tax for a full 12 months. The Board of Supervisors authorized a tax of ten percent on a consumer's gross charges up to a maximum of \$30 per month for mobile local telecommunications (1994 Virginia Acts, Chapter 560 of the Code of Virginia, Section 58.1-3812 as amended). The maximum monthly rate is \$3 per bill, or \$36 per year. During the 2003 fall review of revenue, the estimate for Mobile Telecommunication Tax revenue was reduced to \$5,500,000 as a result of delays in implementing the tax by mobile telephone service providers due to complicated software changes. Revenue from this category will be closely monitored since little data on the number of mobile telecommunication service users in Fairfax County was available prior to the implementation of the tax and as such the revenue projection may require further adjustment as actual receipts become available.

TRANSIENT OCCUPANCY TAX

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$6,467,769	\$6,726,480	\$6,995,530	\$13,991,060	\$6,995,530	100.00%

The FY 2005 estimate for Transient Occupancy Tax is \$13,991,060, a 100.0 percent increase over the FY 2005 Advertised Budget Plan. This increase results from legislation enacted by the 2004 Virginia General Assembly that permitted the Board of Supervisors to impose an additional 2 percent Transient Occupancy Tax. Transient Occupancy Taxes are charged as part of a hotel bill and remitted by the hotelier. Revenue from this additional 2 percent tax is required to be spent for tourism promotion. No more than 75 percent of the new revenue may be spent by Fairfax County for tourism promotion and the remaining 25 percent must be appropriated to a nonprofit convention and visitors' bureau located in the County. The additional 2 percent tax is effective on July 1, 2004.

BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

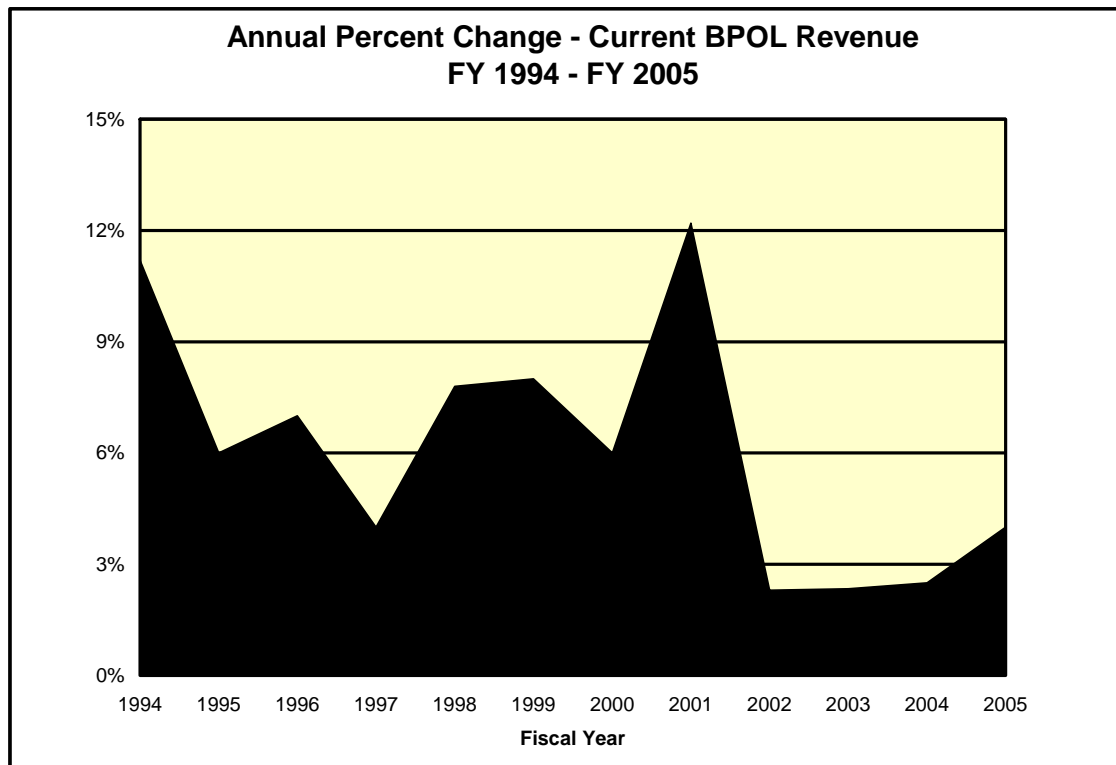
FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$93,427,421	\$95,763,107	\$98,157,185	\$99,593,631	\$1,436,446	1.46%

The FY 2005 estimate for Business, Professional and Occupational License Taxes (BPOL) is \$99,593,631, an increase of \$1,436,446, or 1.5 percent, over the FY 2005 Advertised Budget Plan. The FY 2005 estimate represents 4.0 percent growth over the FY 2004 estimate. This increase is consistent with an expected increase in Sales Tax receipts, which was discussed earlier in this section and reflects modest economic expansion in FY 2005.

In FY 2003, BPOL receipts experienced growth of 2.3 percent over FY 2002. Receipts from Realtors and Money Lenders grew 10.7 percent in FY 2003, while Contractors, Builders, and Developers fell 5.1 percent. The combined Retail/Wholesale Merchants category, which comprises approximately 24 percent of total BPOL receipts, grew at a rate of only 2.0 percent in FY 2003.

General Fund Revenue Overview

Businesses file and pay their BPOL Taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year. As a result, there is little actual data available at this time to refine estimates for FY 2004 and develop projections for FY 2005. Since home buying and refinancings have continued to increase, the Money Lenders and Realtors category is expected to experience moderate growth in FY 2004 and FY 2005. Building activity in the County, however, is expected to remain at the same level as FY 2003. Based on these assumptions and an econometric model using Sales Tax receipts and mortgage interest rates as predictors, the FY 2004 estimate for BPOL was increased \$2,645,517 during the fall 2004 review of revenues. This estimate represents 2.5 percent growth over actual FY 2003 receipts. In FY 2005, BPOL revenues are expected to experience 4.0 percent growth in FY 2005 as the business sector improves. Historical and projected changes in BPOL receipts are presented in the following graph.



PERMITS, FEES AND REGULATORY LICENSES

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$27,743,163	\$26,902,515	\$26,935,856	\$26,943,956	\$8,100	0.03%

The FY 2005 estimate for Permits, Fees and Regulatory Licenses is \$26,943,956 is an increase of \$8,100 over the FY 2005 Advertised Budget Plan estimate. This increase is the result of an application fee increase to recover the cost of criminal background checks for solicitors, taxicab drivers, and massage therapists. The background checks are required by the Fairfax County Code prior to issuance of a license for these occupations.

DPWES fees are the major component of the Permit, Fees, and Regulatory Licenses category. The FY 2004 Revised Budget Plan estimate for DPWES fees is \$21.0 million, a drop from the \$22.3 million level achieved in FY 2003. However, this category has experienced strong growth from March through May 2004 and revenue is currently up a slight 0.4 percent over FY 2003.

General Fund Revenue Overview

Twenty-three individual fee categories comprise DPWES Fee revenue. Changes in DPWES revenue are a reflection of the housing market and construction industry, as well as the size and complexity of projects submitted to DPWES for review. Two of the most important indicators of workload, and consequently revenue, are the number of building permits issued, and the number of new site, subdivision and public improvement plans submitted to DPWES for review. Single family permits issued during the first four months of 2004 total 1,101, up 21.3 percent or 193 permits, calendar year-to-date but the number of nonresidential building permits issued so far this calendar year is down 52.7 percent or 59 permits from the same period last year. This trend is expected to continue throughout 2004 as a result of the availability of office space for rent. The number of new site, subdivision and public improvement plans submitted to DPWES has declined from 188 during the first 10 months of FY 2003 to 173 during the same period of FY 2004, a drop of 8.0 percent. A drop in plans reviewed may signal a reduction in building permits in the coming months. The FY 2005 estimate for DPWES fees is \$21,000,000, representing no change from the *FY 2004 Revised Budget Plan* estimate. Staff will closely monitor revenue collections in this category during FY 2005 and make any necessary adjustments at the fall 2004 revenue review.

INTEREST ON INVESTMENTS

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$17,818,481	\$15,147,062	\$18,122,686	\$18,122,686	\$0	0.00%

The FY 2005 estimate of \$18,122,686 for Interest on Investments represents no change from the FY 2005 Adopted Budget Plan estimate. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

The County's Investment Interest has been severely affected by interest rate reductions made by the Federal Reserve over the past several years. In order to combat growing weakness in the economy, the Federal Reserve reduced interest rates 11 times in 2001 from 6.5 percent to 1.75 percent. Rates were held steady in 2002 until November when the federal funds rate was dropped to 1.25 percent. The Fed cut rates again in June 2003 to 1.0 percent where they remain. In FY 2003, the annual average yield on the County's portfolio was 1.49 percent and interest on investments was \$17.8 million. The FY 2004 estimate for Interest on Investments was increased from \$13.4 million to \$15.1 million during the fall 2003 review of revenue as a result of a higher than projected portfolio and General Fund percentage offset by a drop in the anticipated yield from 1.40 percent to 1.18 percent. Revenue from Interest on Investments is highly dependent on Federal Reserve action. The FY 2005 Adopted Budget Plan estimate assumes that the Federal Reserve will begin to increase interest rates as the economy expands and a yield of 1.40 is projected. This projection may prove to be optimistic given that the yield on instruments currently being purchased is 1.1 percent.

An average portfolio size of \$1,871,980,664 is anticipated in FY 2005, representing 5.0 percent growth over the FY 2004 projection. All available resources are pooled for investment purposes and the net interest earned is distributed among the various County funds, based on the average dollars invested from each fund as a percentage of the total pooled investment. Total Interest on Investments for all funds is projected to be \$26,207,729 and the General Fund percentage is projected to be 64.0 percent in FY 2004 and FY 2005.

General Fund Revenue Overview

CHARGES FOR SERVICES

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$40,549,148	\$41,941,708	\$40,524,336	\$42,533,320	\$2,008,984	4.96%

The FY 2005 estimate of \$42,533,320 for Charges for Services reflects an increase of \$2,008,984, or 5.0 percent, over the FY 2005 Advertised Budget Plan. This increase is due to an increase in County Clerk fees and a new Emergency Medical Services (EMS) Transport fee.

The FY 2005 estimate for County Clerk fees is \$7.9 million, an increase of \$1.3 million over the FY 2005 Advertised Budget Plan. County Clerk fees are changed for administering Deed of Conveyance and Recordation Taxes and the increase is consistent with the higher FY 2005 estimate for these categories.

The Board of Supervisors approved an EMS Transport fee that will become effective in April 2005. The three tiered fee for transport by ambulance to an area hospital is \$300 for basic ambulance transport; \$400 for Advance Life Support 1 (ALS-1) transport; and \$550 for Advance Life Support 2 (ALS-2) transport. In addition, \$7.50 is charged for every mile that a patient is transported. The EMS fee is expected to generate \$739,914 in FY 2005. During this first year of implementation, the revenue from the fee will be totally offset with expenditure requirements. In FY 2006, the EMS fee is anticipated to generate approximately \$6.6 million.

A new athletic service application fee is also included in the Charges for Services category. This fee is expected to generate additional Recreation revenue of \$1.7 million. The new fee will partially offset the cost of providing community use of public athletic facilities by implementing a \$3 per hour fee for community use of public athletic facilities scheduled through the Department of Community and Recreation Services' Athletic Services Division. Athletic organizations are provided facility space by the hour in accordance with their application for use of facilities and within established Fairfax County facility allocation policies.

The FY 2005 estimate for Charges for Services also includes \$21.9 million in projected School Age Child Care (SACC) fees. In FY 2005, SACC revenues are projected to rise \$0.8 million due to a 2.0 percent base fee adjustment to address salary increases plus increased food cost which will be reflected in parental fees and the addition of two new SACC centers at Navy and Sunrise Valley Elementary schools.

FINES AND FORFEITURES

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$11,046,988	\$12,778,263	\$12,380,594	\$12,380,594	\$0	0.00%

The FY 2005 estimate for Fines and Forfeitures of \$12,380,594 represents no change from the FY 2005 Advertised Budget Plan estimate. During the 2003 fall revenue review, the FY 2004 estimate for Fines and Forfeitures was increased \$0.7 million. This increase is the result of higher than projected collections from Alarm Ordinance Violations. The decline in FY 2005 Fines and Forfeitures is due primarily to a projected decrease of \$0.3 million in Alarm Ordinance Violations as establishments are expected to reduce excessive false alarms due to the gradually escalating fine schedule for more than two police responses per year.

General Fund Revenue Overview

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT¹

FY 2003 Actual	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Increase/ (Decrease)	Percent Change
\$126,674,608	\$130,523,639	\$116,945,284	\$119,225,298	\$2,280,014	1.95%

¹ Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

The FY 2005 estimate for Revenue from the Commonwealth and Federal Governments is \$119,225,298 and represents an increase of \$2,280,014 over the FY 2005 Advertised Budget Plan estimate. This rise in revenue is the result of a \$550,000 grant expected from a federal grant that reimburses the County for expenses incurred for housing illegal aliens and additional Public Assistance Program revenue.

The FY 2005 estimate for Virginia funding for Public Assistance Programs represents a net increase of \$1.7 million over the FY 2005 Advertised Budget Plan. Additional revenue of \$1.8 million is associated with the Child Care Assistance and Referral program and results from a state policy change that expands eligibility for the program. An increase of \$1.0 million is due to additional state and federal funding for foster care adoption subsidies. These revenue increases are matched with increased expenditure requirements. Partially offsetting the increased revenue is a decrease in Comprehensive Services Act funding associated with decreased expenditures.